augmented by unreasonable rates and charges. We find that the retail residential NRC for RCF represents a reasonable starting point for setting a wholesale NRC for RCF. We shall subtract from this charge the 17% margin found reasonable in D.96-03-020 to set the wholesale residential NRC for RCF available to resale-based competitors.[50] The resulting NRC of $4.15 will be applied on a per-number basis. This charge is still several orders of magnitude greater than the existing price floor for retail RCF. Since that price floor is set at a level proposed by Pacific and high enough to recover recurring and nonrecurring LRIC costs, we believe that the NRC of $4.15 for CLC-RCF for Pacific provides fair and reasonable compensation.

GTEC's A-41 tariff contains the NRCs for retail RCF. Since the INP services being established here are for existing customers wishing to port their number to the network of a new competitor, we shall look for reference to the cost to change existing service in tariff A-41 of $34.50 and $17.25 for business and residence customers, respectively. On the other hand, GTEC's proposed wholesale NRC for CLC-RCF can be as high as $229.94 per number, to as low as $2.31 per number for an order containing 99 numbers all in the same exchange.[51] Such a wide per-number range makes comparing the tariffed retail and proposed wholesale NRCs difficult.

As with Pacific, we shall take official notice of GTEC's current price floor for retail RCF. As is the case with Pacific's

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50 The 17% margin for resale services adopted in D.96-03-XXX represents those costs that Pacific Bell avoids when reselling a service to a competitors. (D.96-03-020, mimeo at p. 31)

51 GTEC, unlike Pacific, did not propose to impose a NRC to provide number referral upon disconnect.

above, these price floors are based on proprietary information which we shall not disclose, and reflect recurring and nonrecurring costs. We shall use them simply as a reference.

We have already found that GTEC failed to justify the proposed NRCs herein, and did not provide the parties an appropriate opportunity for review. We also believe that employing GTEC's tariffed NRCs for retail RCF would impose a significant competitive barrier. When we take into consideration GTEC's existing price floor for retail RCF, we conclude that the NRC we adopted for Pacific of $4.15 would be fully compensatory and fair. Therefore, we shall limit GTEC's tariff rate for NRC to the equivalent amount authorized for Pacific.

As discussed above with respect to the MRCs, we shall require a true-up of the NRCs once appropriate rates and charges have been finalized in the OANAD proceeding. We shall order both LECs to track billed NRC revenues in the memorandum account discussed below pending the completion of OANAD cost studies and pricing determination. We shall authorize both LECs to credit the memorandum account for an amount equal to the NRC revenues billed under their respective INP tariffs. Thus, for every INP service order which is initiated for a CLC, the LEC shall make a credit entry to the memorandum account equal to the NRC billed to the CLC.

Once we have established appropriate NRCs in the OANAD proceeding, we shall direct the LECs to adjust the accrued NRC balance of past billings in the memorandum account for the difference in the old and the new NRC rates accordingly. We shall also at that time determine an amortization factor by which the LECs shall be authorized to amortize the adjusted balance in the memorandum account. We shall direct that the NRCs be billed directly to the CLC that incurred the charges. We shall not authorize any generic end-user surcharge whereby the nonrecurring costs are spread among all telecommunications end users. We

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conclude that a more fair cost allocation results by charging the CLCs that incur the cost. It will be up to each CLC to determine whether or how it chooses to recover from its own retail customers any NRC costs for INP it may incur.

VI. Reasonableness of DID-Based Rates

Consistent with our treatment of CLC-RCF rates, we shall likewise use DEC as the basis for adopting initial rates for DID-based INP service subject to subsequent true up once LRIC-based DID rates are established in OANAD.

The LECs and the Coalition disagree over the proper rate for DID-based INP service. The LECs propose charging CLCs the existing retail DID rates. The Coalition proposes basing DID rates on LRIC data. As discussed previously, we have determined that INP rates are to be based on DEC data for the present time. The Coalition points out that existing retail DID rates do not correspond to the DEC for DID as established in IRD. Whereas Pacific's retail monthly recurring rate for DID is $45.00 for the 100 number block, the corresponding DEC is only $0.41. If DEC is to be the cost standard, the Coalition believes the INP rate for DID functionality should be limited to the $0.41 DEC for Pacific as determined in IRD.[52] Pacific also charges a retail DID rate of $8.00 for circuit termination with a PBX trunk whereas the DEC for this feature is $18.00. The DEC for GTEC's DID was submitted under seal in Exhibit 3. The Coalition objects to any charge for curcuit termination for a PBX trunk, arguing that existing interconnection trunks can be used to provision the DID functionality at no additional cost.

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52 Exh. 7.

Consistent with our policy stated above of setting INP rates at DEC, we reject the proposal of the LECs to require CLCs to pay retail rates for CLC-DID. We shall establish INP rates for DID based upon the DEC data from IRD. The remaining issue is whether or not separate dedicated trunking charges should be included in the cost of DID functionality. Witness Shelton explained that while a a dedicated trunk route is not a requirement under the theoretical route indexing solution proposed by MCI, there would be practical problems in properly measuring INP traffic over a combined trunk group. With a dedicated trunk, no separate measurement is needed.[53] Accordingly, in view of the technical measurement problems involved, we reject the Coalition's argument that CLCs should pay only for the DID number block.

While we reject the Coalition's argument that CLCs need only purchase DID number blocks from the LECs, we are not convinced that separate trunk groups are necessary for measurement purposes. Similar to our decision that two-way trunks provided greater flexibility and efficiency even with added measurement difficulty, we are concerned that requiring separate trunk groups is not an efficient use of network resources. We order CACD to conduct a technical workshop on May 15, 1996, to explore the relative efficiency and rate structure of using the negotiated local interconnection arrangements for transporting CLC-DID traffic compared to dedicated trunk groups. Parties will also be given an opportunity to address measurement concerns raised by the LECs. Subsequent to this order, CACD will establish specific questions and topics that parties will address at the workshop. Ten calender days following the workshop, parties will be permitted to file written comments on the questions and topics prepared by CACD.

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53 RT 420-427.

Following receipt of filed comments, we will issue a subsequent decision regarding the necessity for separate trunk groups for DID-INP and will direct the LECs to file DEC-based tariffs for DID service at that time.

VII. Terms and Conditions of INP Service

As part of their Phase I written comments, parties addressed the reasonableness of certain terms and conditions other than rates that should be offered in INP tariffs. We address these below.

A. Parties' Positions

Citizens

Citizens expresses concerns about Pacific's proposal to provide a directory listing or directory assistance listing for its CLC-RCF numbers as set forth in Schedule Cal. P.U.C. No.A5.7.1. Citizens finds this reference unclear as to whether Pacific proposes to treat the listing for a CLC-RCF as a primary listing or as an additional listing under the referenced tariff schedule. Citizens believes that primary directory listings and directory assistance database listings are essential services. Therefore, Citizens recommends that the listings of CLC-RCF numbers should be treated as primary listings, with additional listings available as an option.

Coalition

The Coalition perceives a flaw in GTEC's proposed INP tariffs. According to the Coalition, GTEC would refuse to provide INP in conjunction with "Coin/COPT, ISDN, or any other technically limited services." The Coalition states that in a data response, GTEC admitted that Coin/COPT services were excluded from INP for GTEC policy reasons and not technical reasons. The Coalition recommends that such arbitrary limits on the availability of INP should be rejected by the Commission.

DRA

DRA finds that Pacific's and GTEC's proposed RCF tariffs are acceptable on an interim basis, but pointed out the following questions which DRA believes need to be answered in order to implement the tariffs:

Pacific's Tariffs

1. The tariff states that a number of services (busy line verify, emergency interrupt, RCF, and other customer calling features) are not available to CLC-RCF numbers for technical reasons. DRA believes an explanation of the technical reasons is needed in order to validate this assertion.

2. The tariff contains no provisions governing how CLCs will order CLC-RCF on behalf of their customers; who is responsible for trouble reports and testing; what the format should be for directory listing and 911 information for CLC-RCF numbers to be provided to the LEC; how the LEC will provide call detail information to the CLCs for alternate billing services; and how repairs will be handled.

GTEC's Tariffs:

GTEC's tariff contains restrictions on the availability of certain services that are similar to those proposed by Pacific. DRA has the same concerns as described for Pacific in No. 2 above.

B. Discussion

We shall adopt as reasonable the changes to the LEC tariffs proposed by Citizens. We shall direct Pacific to revise its tariff to clarify that the listing for the CLC-RCF number is to be treated as a primary listing and included in the directory assistance data base. We find no valid reason for GTEC to refuse to provide INP service in conjunction with coin-operated pay telephones, since no technical limitations apply. Accordingly, in the interests of promoting widespread availability of INP, we shall direct GTEC to provide INP to pay-telephone providers.

We have previously addressed DRA's concerns regarding E-911 service and repair service orders by adopting appropriate rules in D.95-12-056. Accordingly, no further action is needed in this order on those matters. Except for the revisions noted above, we find the LECs' tariff terms and conditions to be reasonable and shall adopt them.

VIII. Reciprocal INP Offerings

A. Parties' Positions

GTEC believes that offerings from the incumbent LECs and the new carriers, such as CLC-RCF, and the associated rules in a competitive environment, should be symmetric. As an example, GTEC states that if the incumbent LECs are required to demonstrate that their interim service provider number portability solution offered to the new carriers is reasonably priced above cost, a reciprocal requirement should be imposed on the new carriers.

DRA's testimony elaborates on the Commission rule that CLCs provide reciprocal number portability to the LECs. Specifically, DRA recommends that the CLCs should be required to provide symmetrical RCF services to ensure number portability for CLC subscribers who subsequently elect to receive service from a LEC. For administrative expediency, and in order to ensure symmetrical CLC-RCF compensation between the incumbent LECs and the new carriers, DRA recommends that CLCs be authorized to concur in Pacific's or GTEC's CLC-RCF prices. In the alternative, a CLC may develop and file CLC-RCF prices for INP services.

Pacific points out that the Initial Rules require new carriers to offer number portability to the incumbent LECs. Pacific expresses concern that it has not yet received information from new carriers regarding the number portability services they intend to offer. Pacific therefore recommends that these carriers should be ordered to file and serve on all parties their proposed INP tariffs.

B. Discussion

We agree that all customers within the Pacific and GTEC service territories should have access to INP irrespective of the local carrier from which they receive service. Accordingly, CLCs must offer INP services to either of the incumbent LECs as well as to another CLC upon request. As an alternative to requiring each CLC to file separate proposed INP tariffs for review and comment, we will require each CLC to file a tariff that concurs in the prices, terms, and conditions of INP service of Pacific or GTEC's tariff which would apply for any INP offerings in the incumbent LECs' territory.

Any INP revenues received by the CLCs will be subject to the same true up provisions applicable to the LECs, as discussed below. The LECs' memorandum accounts will keep track of both INP revenues received from the CLCs and INP charges paid by the LECs to the CLCs. The true up of prices will apply to the net difference.

IX. Adopted Number Portability Wholesale Prices

As a result of the adjustments to DEC prices discussed above, we adopt the following INP rates for Pacific and GTEC, respectively, effective five days following the filing of tariffs. We shall direct the certificated CLCs to offer INP service to Pacific and GTEC and to each other, on reciprocal prices and terms as those offered under the LECs tariffs.

For CLC-RCF service, we shall reduce Pacific's MRC from $3.25 to $1.94 to reflect a $1.31 disallowance for the avoided retail costs of marketing and customer service. We shall also set Pacific's NRC to $4.25 for the ordering and provisioning of CLC-RCF, with no charge for setting up number referral upon disconnect.

We shall reduce GTEC's MRC from $6.50 to $2.29 to reflect the disallowance of $2.70 for separate usage charges and $1.52 for the avoided retail costs of marketing and customer service. Finally, we will require GTEC to concur in the NRC adopted for Pacific, thus significantly lowering the proposed NRC of $228.94.

We find that Pacific's and GTEC's proposal to use existing tariffed retail rates for DID is inconsistent with our policy to use DEC for INP pricing. Accordingly, we shall direct Pacific and GTEC to file compliance tariffs reflecting the DEC for DID as submitted in IRD.

X. Retail INP Prices

We shall not establish any mandatory retail prices for INP service, but shall leave this to the discretion of carriers. The price a carrier may seek to charge its consumers may, but need not necessarily, recover the cost of providing number portability. For purposes of this order, we shall consider the LECs' INP tariffs as a Category I service. We shall address in a generic fashion LEC and CLC pricing policies in the advent of local exchange competition in our Phase II order.

XI. Memorandum Account

In accordance with D.95-07-054, we shall direct Pacific and GTEC to establish a memorandum account to track their billings for INP-related wholesale services to allow for a true-up of cumulative billings adjusted to reflect TSLRIC-based prices once they are adopted. Accordingly, Pacific and GTEC shall credit the memorandum account for the billings to each CLC (net of any reciprocal billings incurred by the LECs for purchasing INP services from a CLC) based on the rates adopted in this decision. Once we establish TSLRIC-based INP rates, each LEC shall debit the memorandum account for an amount equal to the cumulative INP billings recalculated at the TSLRIC-based rates. We will then establish a procedure for the LECs to rebate the difference between the cumulative DEC versus TSLRIC-based billed revenues to each CLC.

It will not be necessary to keep track of the actual minutes of usage for INP-related calls for purposes of the memorandum account entries since INP rates will not be billed on the basis of minutes of use. For purposes of computing the true-up of billed rates, it will only be necessary to determine the number of lines for which INP service was established and the months for which billings were made for each CLC. With the adoption of the memorandum accounting procedure described above, we can institute INP service without waiting for OANAD cost studies, when we will be able to restate the charges on a TSLRIC basis.

XII. Comments on the Alternate Draft Decision

The alternate draft decision was filed with the Docket Office and mailed to all parties in conformance with Public Utilities Code § 311.5 and Rule 77.6(c) of the Rules of Practice and Procedure. DRA and the Coalition fully supported the alternate decision of Commissioner Daniel Wm. Fessler. We will address some of the issues raised by Pacific and GTEC.

GTEC posits in its comments that the Telecommunications Act of 1996 requires that this Commission allow the LECs and the competitors to first negotiate for INP services before dictating the prices, terms and conditions for INP. We find this line of reasoning specious. GTEC points us to Sections 251 and 252 of the Act. Section 251(b)(2) sets forth as a duty of telecommunications carriers that they provide number portability "to the extent technically feasible... in accordance with requirements prescribed by the [Federal Communications Commission (FCC)]." Further, Section 251(c)(1) provides that it is a duty of incumbent LECs "to negotiate in good faith in accordance with section 252 that particular terms and conditions to fulfill the duties described in paragraphs (1) through (5) of subsection (b) and this subsection."

More relevant to the discussion here is Section 251(3), which provides in part that the FCC shall not "preclude the enforcement of any regulation, order or policy of a State commission that...(C) does not substantially prevent implementation of the requirements of this section and the purposes of this part." We find that the rates, terms and conditions of INP service we adopt in this decision do not in any way substantially prevent the implementation of the requirements of Section 251. Moreover, the Coalition, in its reply comments, notes that Section 261 of the act also supports State action so long as the Commission's requirements are not inconsistent with those of the FCC. Since the FCC has not imposed any requirements with regards to INP provision, today's order is obviously in accordance with Section 261.

We shall also reject GTEC's proposal for requiring a minimum set of business and residential number per order for the $4.15 charge to apply. We are intrigued by the idea, but there is simply no record upon which to adopt such a recommendation.

Pacific argues in its comments that the Commission inappropriately and arbitrarily ignores the recurring retail rate of $18 per month while picking the nonrecurring retail rate for residential customers of $5 to set the rates for CLC-RCF. Pacific, however, fails to address the fact that its price floor for retail RCF is in fact several orders of magnitude less than the retail recurring and nonrecurring charges, as well as the wholesale rates adopted here.

We will, therefore, not change our decision on these or any other matters as a result of the comments, in accordance with Rule 77.3.

Findings of Fact

1. The Initial Rules adopted in D.95-07-054 stated that Interim Number Portability (INP) shall be provided by Remote Call Forwarding (RCF), Direct Inward Dialing (DID), or equivalent means.

2. Service provider number portability provides Competitive Local Carriers (CLCs) with the ability to offer prospective retail customers the opportunity to retain the use of their existing telephone numbers when switching to a new local provider.

3. INP is necessary until a permanent service provider number portability solution can be implemented which avoids the need to route all calls through the local exchange companies' (LECs) switches.

4. RCF-based and DID-based approaches are preferred means of providing INP because they employ existing technology.

5. The provision of INP to CLCs employing RCF (CLC-RCF) imposes limitations on those customers choosing number portability that wish to use features that rely on calling party number (CPN) such as call return, call screening, selected call acceptance, call trace, and, when authorized, caller ID.

6. Pacific Bell's (Pacific) proposed wholesale tariff for CLC-RCF is called "Directory Number Call Forwarding" to distinguish it from Pacific's retail RCF offering.

7. GTE-California's (GTEC) INP tariff also relies on an RCF-based service it calls Service Provider Number Portability as its preferred means, and DID as an alternative means, of providing INP.

8. If a customer were to subscribe to Flex-DID, his DID number could be ported to a specified carrier.

9. A dedicated trunk group from a Pacific switch to a new carrier's switch is required to effectuate DID-based INP.

10. The interconnection facility between Pacific and a new carrier cannot carry the DID service when (1) interconnection occurs at Pacific's tandem or (2) the form of DID employed uses a different form of signalling from interconnection trunks.

11. DID in its typical retail configuration in Pacific's and GTEC's networks requires the last four digits of the telephone number being ported to be translated to the same last four digits in the CLC switch.

12. DID-based INP allows use of certain custom calling features that cannot be enabled when using RCF.

13. Flex-DID is not currently available from Pacific or GTEC, and its costs of implementation and administration are uncertain.

14. Route indexing is a variant of Flex-DID which consists only of memory and route indexing software whereas flex-DID also requires dedicated trunk cards or dedicated interoffice facilities.

15. Route indexing could possibly work over the trunks established to carry INP traffic, but would require the creation, use and maintenance of "steering digits" by the carrier forwarding the call, and the development of "pseudo codes" by the new carrier.

16. The costs of providing route indexing service are unknown, and it is unclear how much time and resources would be required to develop it.

17. Pacific relied on the Direct-Embedded-Cost (DEC) identification model used in the Implementation Rate Design (IRD) proceeding to develop its INP rates using 1994 actual retail RCF cost data for developing the CLC-RCF DEC, and computed the following rates:

a. a monthly recurring charge of $3.25, based on RCF functionality DEC of $3.20; and call setup of $0.03;

b. a nonrecurring charge of $31.75 per number associated with ordering and provisioning the service, or $75.50 for the first number and $10 for each additional number on the same order (based on DEC of $31.66 per number or $75.36 for the first number on each service order and $9.81 for each additional number on the same service order); and

c. a nonrecurring charge for providing number referral upon disconnect of $31.25 per number or $74.75 for the first number and $9.50 for each additional ported number on the same order (based on DEC $31.17 for each number or $74.53 for the first number and $9.49 for each additional number on the same service order.

18. The DEC of DID service for Pacific is $0.41 per 100 number block and $18.31 per circuit termination with a PBX trunk based on the IRD study. Pacific, however, recommends relying on the existing DID retail tariff for the monthly recurring, and the nonrecurring charges for INP.

19. GTEC relied upon a 1990 DEC cost calculation of DEC submitted in the IRD proceeding for residential and business RCF.

20. GTEC's proposed DEC-based rates and charges for its CLC-RCF service are comprised of:

a. a monthly recurring cost of $3.81 based on the functionally significant cost components for the RCF switch feature, composed of $3.28 for line termination costs, $0.49 for processing, and $0.04 for memory;

b. a recurring usage charge (i.e., switching and transport), converted to a monthly flat rate of $2.70;

c. a recurring usage charge for simultaneous call capability of $2.70; and

d. a nonrecurring charge of $228.94 per order, up to 99 numbers, and $221.20 for each additional 99 numbers, where each service order applies to only one central office.

21. GTEC performed no Long-Run Incremental-Cost (LRIC) study of its CLC-RCF service for purposes of this proceeding.

22. The contribution which is contained in the DEC-based CLC-RCF rates does not necessarily represent an economically efficient measurement of contribution to common overheads.

23. Without reliable TSLRIC figures to use as a base, it is premature to determine what an appropriate contribution margin for INP pricing would be.

24. There is no basis to conclude that the contribution to overheads implicit in DEC-based rates is necessarily the correct proxy for a competitively-determined contribution margin.

25. Since the DEC of RCF is likely higher than the TSLRIC for that service, the DEC-based prices adopted in this order probably include a margin above the TSLRIC.

26. GTEC's DID service can be ordered in 20 number blocks with a nonrecurring charge of $160.00 and a monthly recurring charge of $66.00.

27. DEC is the costing standard used as the basis for establishing prices for several services, including basic exchange services, adopted in the IRD D.94-09-065.

28. MCI's recommended INP rates and charges for the two LECs' INP serving arrangements based on confidential LRIC data obtained from Pacific and GTEC, derived from the LRIC estimates Pacific and GTEC presented in the IRD proceeding.

29. The cost of dedicated trunking facilities was excluded from MCI's DID-based INP estimate; only memory and route indexing software costs were included.

30. A monthly INP charge of more than $0.50 would not prevent new carriers from offering competitive rates for service comparable to that provided by the incumbent LECs.

31. Pacific's proposed nonrecurring charges of $31.75 per number for ordering and provisioning of CLC-RCF, and of $31.25 per number for providing number referral pose a significant barrier to entry.

32. Pacific's proposed nonrecurring charges of $75.50 for the first number and $10 for each additional number per order for ordering and provisioning of CLC-RCF, and of $74.75 per number for

the first number and $9.50 for each additional number per order for providing number referral pose a significant barrier to entry.

33. GTEC's proposed nonrecurring charge per order of $228.94 for up to 99 numbers, and $221.20 for each additional 99 numbers on a per-exchange basis poses a significant barrier to entry.

34. TSLRIC studies being developed in OANAD will provide a comprehensive showing on INP rates and opportunity for examination.

35. It will not be necessary to keep track of the actual minutes of usage for INP-related calls for purposes of the memorandum account entry since INP rates will not be billed on the basis of minutes of use, but only on the number of lines for which INP service is established.

36. Both Pacific and GTEC fail to adjust for avoided retail expense in quantifying the wholesale cost of providing INP to CLCs through RCF.

37. While Pacific and GTEC will likely incur some level of marketing and customer service costs related to providing CLC-RCF, they will also avoid some corresponding retail expenses.

38. Since no party presented an actual DEC-based cost study regarding the difference between retail and wholesale marketing and customer service costs, a degree of subjective judgment is required in arriving at an appropriate cost factor.

39. In the absence of more precise measurements, Citizen's proposed elimination of 90% of Pacific's retail marketing expenses, 50% of its customer services expenses, is reasonable for purposes of approximating avoided retail RCF costs resulting in a reduction of $1.31 off the DEC associated with Pacific's month recurring charge.

40. Since "Official Company Services" reflect the use of telephones and telephone facilities in providing RCF, its cost should be included in the INP rate.

41. Pacific has properly included general and administrative costs which reflect procurement expenses and employee-related costs associated with employees working on CLC-RCF.

42. The inclusion of such direct costs is consistent with the DEC methodology used in IRD.

43. Pacific did not include indirect general and administrative costs in its DEC charges for CLC-RCF.

44. While the number of RCF services ordered by CLCs may have some limited bearing on the marketing costs incurred by the LECs, the CLCs will have the responsibility and incentive to market retail RCF services to their customers and to incur related costs.

45. Any marketing costs incurred by the LECs will mainly be a function of the number of certificated CLCs interested in purchasing CLC-RCF.

46. The LECs' retail RCF customer costs are incurred on a per line in service basis, rather than per ordering customer.

47. Customer service includes the costs associated with billing, business office costs, and billing inquiries.

48. While the LECs will continue to have some responsibility for handling the CLCs' individual retail customer-related functions, it is reasonable to conclude that some of these functions will be taken over by the CLC.

49. General and administrative costs directly related to the provision of CLC-RCF are appropriately included in the recurring RCF functionality cost for they reflect the costs associated with procurement expenses and employee related costs.

50. The disallowance of 90% of marketing costs and 50% of customer service costs for Pacific results in a weighted average disallowance of 77.6% of the combined costs, and a disallowance of 40% of the DEC associated with Pacific's monthly recurring charge.

51. By applying adjustments for avoided retail costs to GTEC's monthly recurring costs of RCF functionality of $3.81, Citizens arrives at a DEC cost of $2.83.

52. The lack of consistent cost reporting procedures between Pacific and GTEC precludes measuring the precise proportions of marketing and customer service costs for GTEC.

53. In the absence of more precise data, the best approximation of a consistent adjustment to GTEC's customer and marketing costs is to apply the same 77.6% factor used for Pacific.

54. Applying a similar 40% disallowance to GTEC's 52 proposed rate of $3.81 results in a reduction of $1.52.

55. GTEC's line termination charges are a necessary cost element and should be included in the adopted INP rates.

56. Some of GTEC's switches require the use of a line card separate from that which is used for interconnection.

57. Pacific agrees to waive usage charges for INP as long as the new carriers do not charge Pacific for terminating the CLC-RCF traffic.

58. GTEC does not propose to waive its usage rate for purposes of this proceeding.

59. GTEC converted its estimated usage cost to a monthly flat rate of $2.70 to cover transport and switching charges, separate from interconnection usage charges, each time a call using CLC-RCF is forwarded.

60. GTEC includes a separate $2.70 in its proposed INP tariff for each call path when simultaneous-call-capability is employed.

61. GTEC failed to show that there is a separate cost associated with additional call paths required for a customer to receive multiple, simultaneous calls.

62. GTEC's $2.70 usage charge when added to its $3.81 MRC results in a combined rate of $6.51 (rounded to $6.50).

63. INP rates which have been approved in other jurisdictions are significantly below GTEC's $6.50 rate.

64. Pacific proposed tariffs for nonrecurring charges would purportedly recover the costs of ordering, provisioning, and ultimately disconnecting CLC-RCF.

65. GTEC did not include a disconnect cost in its proposed nonrecurring rates.

66. Pacific followed the nonrecurring cost identification approach used in IRD with work activity time estimated and applied to 1995 labor rates.

67. GTEC used the nonrecurring costs for ordering and provisioning switched access services as a proxy for the CLC-RCF nonrecurring costs since both services use common transport facilities and the access service request (ASR) process.

68. The LECs incur nonrecurring costs in providing CLC-RCF.

69. Carriers providing INP service should receive fair compensation for nonrecurring costs.

70. The evidentiary showing of the LECs with respect to the quantification of nonrecurring costs and the setting of nonrecurring charges to recover those costs was inadequate.

71. GTEC failed to quantify the nonrecurring charges it proposed to assess for CLC-RCF on a timely basis.

72. Although GTEC filed a proposed INP tariff on September 18, 1995, it did not quantify a proposed rate to recover nonrecurring costs.

73. In a September 25, 1995 supplemental tariff filing, GTEC stated that "appropriate nonrecurring charges are applicable," but did not quantify them until November 1, 1995 when GTEC filed an additional supplement to its proposed tariff.

74. GTEC's nonrecurring charge is based upon its "Switched Access Service Ordering Charges "which provides that the NRC is $228.94 per ASR."

75. Pacific has not provided sufficient information to allow a complete analysis of its proposed nonrecurring rates.

76. While the demand for numbers covered under a single order will affect the unit nonrecurring costs, the LECs have not established what the actual demand for INP orders will be, or what

would be the expected ordering pattern of the CLCs with respect to how many numbers per order would be included in each order.

77. Pacific and GTEC currently provide retail RCF based on DEC, reflectin~ identifiable historical costs.

78. Paci · presently does not charge its basic-exchange customers for : ɔer referral upon disconnect.

79. Resale-based CLCs will not have to pay Pacific for number referral service upon disconnect, in accordance with D.96-03-020.

80. The price floors on file at the Commission for retail RCF service are set to recover recurring and nonrecurring LRIC incurred by Pacific and GTEC to provide that service.

81. Pacific and GTEC's current price floors for retail RCF service, which are based on LRIC studies submitted in compliance with the IRD order, are several orders of magnitude lower than the LECs' proposed recurring and nonrecurring charges for CLC-RCF.

82. Pacific and GTEC's current price floors for retail RCF service are several orders of magnitude lower than the LECs' tariffed recurring and nonrecurring charges for retail RCF.

83. Pacific's tariff schedule A5.4.4 sets the nonrecurring charge for retail RCF at $5 for residents and $6 for business customers.

84. In D.96-03-020, the Commission imposed a margin of 17% off retail rates of services for Pacific. This margin represented the costs of functions such as marketing and customer service that would be performed by the resellers rather than the LEC.

85. Pacific's retail nonrecurring charge for residents wishing to subscribe to RCF is set at a level several orders of magnitude above the retail price floor for RCF.

86. Pacific's recurring monthly charge of $1.94 fully compensates the LEC for recurring DEC costs.

87. GTEC's A-41 tariff contains the nonrecurring charges for retail RCF of $34.50 and $17.25 for business and residence customers, respectively.

88. GTEC's retail nonrecurring charges for RCF would pose a barrier for the development of facilities-based competition.

89. GTEC's retail nonrecurring charges for RCF are set at levels several orders of magnitude above the retail price floor for RCF.

90. There are no technical limitations on the ability of the LECs to offer INP service to coin operated pay telephones.

Conclusions of Law

1. Service provider number portability is necessary for the development of a competitive local exchange market.

2. DEC is an appropriate pricing standard for CLC-RCF services for an interim period until TSLRIC-based prices can be finalized in the OANAD proceeding, R.93-04-003.

3. Wholesale rates for interim local number portability should be based on TSLRIC with an appropriate contribution to common overhead as soon as the necessary inputs to determine those rates have been determined.

4. Although TSLRIC is theoretically superior to DEC for pricing purposes, the LRIC data offered by MCI in this proceeding does not provide a reliable basis upon which to adopt TSLRIC-based rates.

5. Until TSLRIC-based INP rates are determined in the OANAD proceeding, the initial basis for INP rates should be DEC consistent with the methodology used in the IRD proceeding and subject to the terms and conditions set forth in the ordering paragraphs below.

6. The Commission should take official notice of Pacific's and GTEC's current retails tariffs and price floors for RCF.

7. The Commission should not base the rates for CLC-RCF on the price floors of retail RCF, but should employ those price floors as a reference to check the reasonableness of the proposed wholesale CLC-RCF rates.

8. The tariff rates and charges adopted in this decision should remain in effect until changed as a result of the adoption of revisions to be determined in OANAD.

9. Pacific and GTEC should implement INP service for CLCs by filing tariffs in accordance with the prices, terms, and conditions outlined in the order below.

10. Pacific and GTEC should establish memorandum accounts to track the revenues collected from billings of INP rates adopted in this decision to allow for a true up-of past billings once valid TSLRIC-based rates are adopted.

11. Pacific and GTEC should credit the memorandum account for the INP billing revenues received from each CLC and debit the account for any reciprocal billings incurred by the LECs for purchasing INP services from a CLC based upon the DEC-based rates adopted in this decision.

12. Once TSLRIC-based INP rates are established, each LEC should debit the memorandum account for an amount equal to the cumulative INP billings recalculated at the TSLRIC-based rates.

13. A procedure should then be established for the LECs to rebate or collect a surcharge for the difference between the cumulative DEC versus TSLRIC-based billed revenues to each CLC.

14. CLCs should be required to concur in Pacific's or GTEC's CLC-RCF prices.

15. CLCs should offer reciprocal INP service to each other and to Pacific and GTEC, under the same prices, terms and conditions as those tariffs adopted in the territory corresponding to Pacific and GTEC respectively.

16. The price a carrier may seek to charge its consumers may, but need not necessarily, explicitly recover the cost of providing number portability.

17. For purposes of this order, LEC's INP offerings shall be treated as Category I services.

18. LEC and CLC pricing policies in the advent of local exchange competition were addressed in D.96-03-020.

19. Pacific and GTEC should make INP available employing RCF and DID as a tariffed service to authorized entrants to the local exchange market.

20. Pacific and GTEC should not be required at this time to make INP available employing route indexing and flex-DID.

21. Downward adjustments to the DEC for CLC-RCF service proposed by the incumbent LECs are appropriate to reflect the wholesale nature of the INP service offering.

22. Neither Pacific's nor GTEC's cost showings are adequate for setting their respective interim rates subject to memorandum account treatment.

23. The interim nonrecurring rates for CLC-RCF adopted in this decision for Pacific and GTEC are reasonable and will promote competition.

24. The interim nonrecurring charges for CLC-RCF adopted herein are sufficiently above the LRIC price floors for retail RCF filed by the incumbent LECs themselves that they should be fully compensatory.

25. A true up of nonrecurring rates is appropriate once prices have been finalized in the OANAD proceeding.

26. No generic end-user surcharge should be authorized whereby the nonrecurring costs are spread among all telecommunications end users.

27. Pacific's proposed alternative for recovery of its nonrecurring costs in a balancing account and recovered by a surcharge on all California customers does not provide a fair method of recovering its costs.

28. Since Pacific has agreed to waive charges for usage until litigated in OANAD as long as CLCs do not charge for call termination, no usage charges shall be adopted for Pacific at this time pending further consideration in the OANAD proceeding.

29. INP-related traffic should be subject to bill and keep procedures and no carrier should impose call termination charges related to it.

30. GTEC's showing with respect to usage charges was inadequate to support its proposed $2.70 rate.

31. GTEC's $2.70 usage charges should not be approved at this time pending, development of cost studies in OANAD.

32. It would produce an unreasonably high total INP rate to approve an additional usage charge of $2.70 for GTEC on top of its $3.81 rate.

33. Parties shall address the quantification of usage costs associated with number portability in the OANAD proceeding.

34. GTEC's proposal to impose an extra charge for "each simultaneous call capability per number forwarded" should be denied.

35. Due to the deficiencies in its direct showing, GTEC's nonrecurring charges for CLC-RCF should be limited to the equivalent amounts authorized for Pacific.

36. Because parties did not have a timely opportunity to review GTEC's proposed nonrecurring rates in advance of the evidentiary hearings, the evidentiary showing regarding GTEC's nonrecurring rates should be given less weight.

37. The CLC-RCF service charge should apply once per forwarded number, regardless of the number of simultaneous transfers allowed to that number up to a maximum of 99 call paths per number.

38. It will be up to each CLC to determine whether or how it chooses to recover from its own retail customers any NRC costs for INP it may incur.

39. Each CLC should have the discretion regarding the amount, if any, to charge its retail customers for INP service.

40. The provision of INP service to coin operated pay phones is appropriate.